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RURAL DEVELOPMENT AND RESOURCE CONSERVATION AND UTILIZATION

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Agreement Between the
UNITED STATES OF AMERICA
and NEPAL

Signed at Kathmandu August 31, 1978

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NEPAL

Rural Development and Resource Conservation and Utilization

Agreement signed at Kathmandu August 31, 1978;
Entered into force August 31, 1978.

A.I.D. Project Number 367-0133

PROJECT GRANT AGREEMENT

BETWEEN

HIS MAJESTY'S GOVERNMENT OF NEPAL

and the

UNITED STATES OF AMERICA

for

RAD/RCUP* DESIGN

Dated: August 31, 1978

*Rural Development Project/Resource Conservation and Utilization Project

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Annex 1 - Amplified Description of Project

[1] Not printed herein. The annex is deposited in the archives of the Department of State where it is available for reference.

A.I.D. Project No. 367-0133

Project Grant Agreement

Dated: August 31, 1978

Between

His Majesty's Government of Nepal (hereinafter referred to as "HMG/N")

And

The United States of America, acting through the Agency for International Development (hereinafter referred to as "A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the Parties named above with respect to the undertaking by the Parties of the Project and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project will provide necessary resources to carry out selected development or conservation activities as well as design activities for a) the Rural Development Project - Rapati Zone (RAD) and b) the Resource Conservation and Utilization (RCU) projects and c) to support the closely related second stage of the Nepalese A.S.I.P. (Agriculture Sector Implementation Project) after the A.I.D./Government Affairs Institute (hereinafter referred to as "GAI") contract is completed. In design efforts, the Project will produce studies, detailed plans, trained personnel and pilot activities in the field necessary to proceed with the design and implementation of

RAD and RCU projects. The element of the Project dealing with Agricultural Projects Services Centre (APROSC) staff and Facilities Development will aim at the further institutionalization of the A.S.I.P. in Nepal. This includes further staff and facilities development and purchase of equipment.

SECTION 2.2. Annex 1. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2., without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1. The Grant. To assist HMG/N to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, [1] agrees to grant HMG/N under the terms of this Agreement not to exceed two million nine hundred thousand United States ("U.S.") Dollars ($2,900,000) ("Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1., and local currency costs, as defined in Section 6.2., of goods and services required for the Project.

SECTION 3.2. HMG/N Resources for the Project

(a) HMG/N agrees to provide or cause to be provided for the Project, in addition to the Grant, the other resources required to carry out the Project effectively and in a timely manner.

(b) The total resources, including costs borne on an "in-kind"

[1] 75 Stat. 424; 22 U.S.C. § 2151 note.

basis, provided by HMG/N shall not be less than the equivalent of U.S. $100,000.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (hereinafter referred to as "PACD"), which is August 15, 1980, or such other date as the Parties may agree to in writing, is the date by which the Parties expect that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize release of the Grant for services performed subsequent to the PACD or for goods furnished for the project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for release, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., after consultation with HMG/N, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for release, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Release

SECTION 4.1. Release. Prior to the release under the Grant, or to the issuance by A.I.D. of documentation pursuant to which a release will be made, HMG/N will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement from the Ministry of Finance that this Agreement has been duly authorized and executed on behalf of HMG/N and that it constitutes a valid obligation of HMG/N;

(b) A statement of the name of the person holding or acting in the office of HMG/N specified in Section 8.2.a, and of any additional representatives, together with a specimen signature of each person specified in such statement; and

(c) The time schedule for the evaluation program referred to in Section 5.1.

SECTION 4.2. Releases - Activity C. Prior to release under the Grant, or to issuance by A.I.D. of documentation pursuant to which release will be made for any costs associated with the APROSC Facilities Development under Activity C, HMG/N will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D. detailed design plans, specification and a plan for construction and acquisition of required equipment for the Center.

SECTION 4.3. Releases for Discrete Sub-Activities. Prior to release under the Grant for any costs for discrete sub-activities, other

than that mentioned in Section 4.2. above, HMG/N will furnish to A.I.D. in form and substance satisfactory to A.I.D. evidence that it has satisfied the engineering, financial, including, if practical, cost benefit analyses, and other criteria specified in Implementation Letter for each discrete sub-activities.

SECTION 4.4. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1., 4.2. and 4.3. have been met, it will promptly notify HMG/N.

SECTION 4.5. Terminal Dates for Conditions Precedent

(a) If all of the conditions specified in Section 4.1. have not been met within 60 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to HMG/N.

(b) If the condition specified in Section 4.2. has not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then unreleased balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to HMG/N.

Article 5: Project Evaluation and Reports

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project.

SECTION 5.2. Quarterly Reports. HMG/N agrees to prepare quarterly activity, financial and procurement reports for submission to A.I.D. Upon completion of all work performed under the design, the Project will be reviewed for overall accomplishment of Project purpose.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Releases pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 6.2. Local Currency Costs. Releases pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Nepal ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 7: Release

SECTION 7.1. Release for Foreign Exchange Costs

(a) After satisfaction of conditions precedent, HMG/N may obtain releases of funds under the Grant for the Foreign Exchange Costs of goods

or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in HMG/N's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by HMG/N in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless HMG/N instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Release for Local Currency Costs

(a) After satisfaction of conditions precedent, HMG/N may obtain releases of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such releases may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 7.3. Other Forms of Release. Releases of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2., if funds provided under the Grant are introduced into Nepal by A.I.D. or on behalf of A.I.D. by any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, HMG/N will make such arrangements as may be necessary so that such funds may be converted into currency of Nepal at the official rate of exchange at the time the conversion is made.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following

addresses:

To HMG/N:

Mail and Cable Address:

For Ministry of Finance	For RAD	For RCU	For APROSC
Joint Secretary Foreign Aid & Programming Division Ministry of Finance His Majesty's Government Babar Mahal Kathmandu, Nepal	Joint Secretary Ministry of Home-Panchayat His Majesty's Government Singha Durbar Kathmandu, Nepal	Director General Department of Soil and Water Conservation Ministry of Forests His Majesty's Government Babar Mahal Kathmandu, Nepal	Executive Director APROSC Lazimpat Kathmandu Nepal

To A.I.D.:

Mail and Cable Address: Director
U.S. Agency for International Development
c/o American Embassy
Kathmandu, Nepal

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives

(a) For purposes of implementing this Agreement, HMG/N will be represented by the Secretary, Ministry of Finance and A.I.D. will be represented by the Director, USAID/Nepal, each of whom, by written notice, may designate additional representatives. The names of the representatives of HMG/N, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt

of written notice of revocation of their authority.

(b) The Secretary, Ministry of Finance will furnish a statement naming the HMG/N representative for each activity A, B, and C. Since each activity stands alone, representatives are to be individually designated.

SECTION 8.3. Standard Provisions Annex 2. A Project Grant Standard Provisions Annex 2 [1] is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, HMG/N and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

On Behalf of His Majesty's Government of Nepal

BY: Devendra R. Panday [2]
Acting Secretary
TITLE: Ministry of Finance

On Behalf of The United States of America

BY: Samuel H. Butterfield [3]
TITLE: Director, USAID/Nepal

[1] See footnote 1, p. 3.
[2] Devendra R. Panday.
[3] Samuel H. Butterfield.

ANNEX 1

AMPLIFIED DESCRIPTION OF PROJECT

The RAD/RCUP Design Project consists of three activities, namely a) Rural Development Project - Rapati Zone: Project Design Project, Activity A, b) Resource Conservation and Utilization: Project Design Project, Activity B, and c) APROSC Staff and Facilities Development project, Activity C, which are described below:

Rural Development Project - Rapati Zone: Project Design Project - Activity A

I. Activity A Description

The Rural Development Project - Rapati Zone portion of the Project Design Project represents a collaborative effort between HMG/N and A.I.D. to develop an Integrated Rural Development project to increase the income, productivity and quality of life of the rural people living in the Rapati Zone. Achievement of this purpose will be based on a process emphasizing self-reliance and participation. The activity is envisioned as the first phase of a series of projects in the Rapati Zone and is funded for two years, although major design work is expected to be accomplished within nine months. A.I.D. funds totalling up to $1,373,000 will be applied to a variety of field operations, training and design activities which are briefly described below. More detailed plans for each component will be developed in the Letters of Implementation with the relevant agencies and offices of HMG/N. HMG/N inputs which will include but not be limited to, technical and field personnel, administrative

support, and operation and maintenance of vehicles, where appropriate, will be deliberated in the separate Letter of Implementation.

II. Activity A Components

A. Activity A Field Operations

This Grant provides up to $400,000 for support of selected field operations in the Rapati Zone which have a direct impact on the lower-income groups, particularly in the hills. Activities to be supported with these funds include: 1) Small Rural Works, currently limited to gravity flow drinking water systems, small bridges and trails, particularly in the hills, which have a substantial benefit for the lower-income groups in the community; additional field operations as mutually agreed between HMG/N and A.I.D. may be supported within the limit of funds provided for this catagory; 2) Plant Nurseries, limited to planting stock for fruit, fodder, firewood and windbreak uses which will directly benefit the local community while contributing to erosion control and future wood supplies; and 3) Cottage Industries, including the establishment (construction) of a Branch Office of the Department of Cottage and Village Industries in the Zone as well as establishment (rental) of sub-centers, and training to selected Zone residents in handicrafts, as well as assisting them in obtaining raw materials, needed tools and equipment and in marketing their products.

Letters of Implementation developed jointly between A.I.D. and the designated HMG/N representative or designee for Activity A will specify all technical, financial and engineering plans for the above activities, including but not limited to site selection criteria, relation of the activity to the overall purpose of the Rapati Zone program, and any specific problems envisioned.

B. Activity A Training

Approximately $150,000 are provided under the terms of this Grant for local and participant training related to the overall project goals. For local training, preference will be given to residents of the Rapati Zone. Participant training will be funded for employees of HMG/N and non-governmental development agencies who will, together with their employers, assure in writing that except under unforeseen circumstances, they will work in or on development activities for a minimum period of 2 years so that the skills acquired as a result of the training may be fully utilized to achieve the project goals. Costs of temporary replacements for persons undertaking participant training will also be allowed under this agreement.

C. Activity A Design and Development

Activity A will provide up to $475,000 to cover the costs of design and development work for the first phase of a full Integrated Rural Development project for the Rapati Zone. The

funding will cover, but not be limited to, the costs of APROSC and other consultants for field work, workshops and seminars, local transportation, data processing, and APROSC overhead. Funds will also be used for the costs of contracting for up to 36 person months of expatriate consultants.

With the prior approval of H'G/N, detailed terms of reference for design and development of the project will from time to time be developed jointly by A.I.D. and APROSC. The Letters of Implementation containing these terms will also specify the release procedures to be used.

D. Activity A Design and Development Support

Activity A will provide $298,000 under this Agreement for support functions to be managed by A.I.D., related to the carrying out of this project. This funding is for local transportation costs not otherwise provided, and for short and long term technical advisory and administrative services during the life of this project to assist A.I.D. in various aspects of development of the project paper for the next phase of the Rapati Zone program.

E. Activity A Contingency

Activity A will provide up to $50,000 for contingencies for training and design to be described in Letters of Implementation.

III. Activity A Administration

HMG/N is responsible to see that the counterpart officials for this project are appointed at the earliest possible date. Line agencies of HMG/N are responsible for implementing or supporting the implementation of project activities. APROSC is responsible for project planning and carrying out analyses and studies required for project development. The District is the primary unit of project implementation, following the District Administration Plan.

Resource Conservation and Utilization - Project Design Project - Activity B

Activity B Description

The purpose of Activity B is to carry out design and related initial implementation activities for A.I.D. assisted Resource Conservation and Utilization project (RCU) beginning October 1, 1979 (FY 1980). While the RCU project action plan is scheduled for implementation in October 1979, certain training components are carried out for the life of this agreement of 2 years.

The Department of Soil and Water Conservation will have primary responsibility to coordinate Activity B. The Department of Soil and Water Conservation in consultation with APROSC will assign an appropriate departmental personnel who will serve as the Nepalese project team leader.

Inputs will be required from a number of HMG/N agencies such as the Department of Agriculture and Ministry of Home and Panchayat.

Activity B Components

I. Activity B Design which will include the detailed strategy plans, analyses and physical activities to be undertaken by the RCU project. The Design Team will be contracted under A.I.D. Title XII agreement. This team will include a minimum of 48 person months of time, including a combination of expatriate and in-country professionals, headed by a team leader.

II. Activity B Training will include three different kinds: (a) out-country one and two year degree levels, (b) observation trips to other countries and (c) in-country short courses and seminars.

III. Activity B Field Operations in areas to be selected which may include nursery establishment, rehabilitation of degraded areas, construction and equiping monitoring sites and improvement of field office facilities.

A fund of up to $1,227,000 is made available under this agreement to carry out Activity B to support personnel ($470,000); training ($361,000); local transport ($156,000); baseline studies ($26,000); field operation ($100,000); APROSC overhead ($49,000); and miscellaneous ($65,000).

Activity B Administration

APROSC is responsible for preparation of the Design Activity. Line agencies will be responsible for carrying out the various Field Operation activities. The training activity is a joint responsibility of APROSC, the Department of Soil and Water Conservation and A.I.D.

APROSC Staff and Facilities Development - Activity C

Activity C Description

The purpose of Activity C is to support the further institutionalization of the Nepalese Agriculture Sector Implementation Project (ASIP) after the A.I.D./Government Affairs Institute (GAI) contract is completed. Limited continued support is needed to help maintain the high standard introduced under the project and to develop a program of continuing education for their graduates. There will be a direct benefit to RCU/RAD.

Activity C Components

The stated purpose will be met by (1) making transport available, (2) assisting in printing copies of manuals, (3) providing periodic consultants over the 2 year period, (4) exchanging training with similar groups in other countries, (5) conducting a course for senior officials, and (6) providing assistance in the construction of the APROSC training complex.

A fund of up to $300,000 is being made available under this agreement to meet the objectives in training ($135,000), ASIP operational support ($65,000), and facilities construction ($100,000).

Activity C Administration

APROSC is responsible for carrying out this activity.